

MAR 14 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

March 14, 1996

Mr. William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

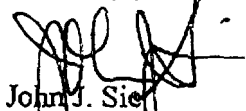
Re: MM Docket No. 92-266 - Ex Parte Presentation

Dear Mr. Caton:

This is to provide notice, pursuant to Section 1.1206(a)(1) of the Commission's Rules, that copies of the enclosed letter were forwarded today to Chairman Reed Hundt and to each of the other individuals identified as receiving copies. Each of the foregoing also received a copy of this letter. Two copies of the letter are enclosed for inclusion in the above-referenced docket.

If you have any questions regarding this matter, please contact me.

Sincerely yours,


John J. Sie
Chairman and CEO

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EX PARTE PRESENTATION

Chairman Reed E. Hundt
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: Revisions to Leased Access Rules/
Petition for Reconsideration in MM Docket No. 92-266

Dear Chairman Hundt:

We understand that the Commissioners are scheduled to rule next week on a revision to the existing leased access rules in the above proceeding involving ValueVision. I am concerned that a broad stroke adoption of a revision could adversely affect the availability of our programming services to cable viewers.

The Commission is well aware of the existing environment in the cable industry. Since the Commission's adoption of revised "going forward rules," cable programmers have been able to more effectively compete for carriage and viewers in a stable regulatory framework. However, it is a hard fought, competitive battle. Channel capacity is still very limited. As you know, in 1994, average channel capacity increased only slightly. Any significant increase in the number of channels which cable operators must devote to leased access because of a change in pricing methodology would only exacerbate this problem and require cable operators to drop programming services presently available to and desired by viewers.

A possible solution the Commission might consider is switching from looking at the category of programming of the incoming leased access service, to looking at the nature of the existing channel being supplanted. If this were to happen, two points should be considered.

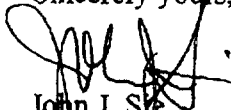
First, the Commission should look at the entire category of the channel being supplanted, and not just the single channel, because opportunity costs can vary greatly. In addition, using advertising revenue as the basis for determining opportunity costs is not relevant. Premium services have no advertising revenue, while many basic services do.

Second, within the per channel category of programming, the Commission should look at the overall opportunity costs of the entire category of programming, and not just the supplanted channel. This is because new premium services, like Encore's services, can take many years to reach their full cash flow potential. Even more importantly, lower cost services like Encore's generally provide a lower margin for the cable operator. Encore's success has demonstrated that the ultimate beneficiary is the consumer by receiving added diversity and value.

Chairman Reed E. Hundt
March 14, 1996
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I am afraid that, without receiving formal comments from the industry on the specific proposal, the Commission could unintentionally squelch services which are new and beneficial to the public. We appreciate your careful consideration of our views and would be pleased to discuss them with you in more detail subject to the Sunshine period prohibition.

Sincerely yours,



John J. Ste
Chairman and
Chief Executive Officer

JJS:md

cc: Commissioner James H. Quello
Commissioner Andrew C. Barrett
Commissioner Rachelle B. Chong
Commissioner Susan Ness
Jackie Chorney, Legal Assistant to Chairman Hundt
Maureen O'Connell, Legal Advisor to Commissioner Quello
Lisa B. Smith, Legal Advisor to Commissioner Barrett
Suzanne K. Toller, Legal Advisor to Commissioner Chong
Mary P. McManus, Legal Advisor to Commissioner Ness
William F. Caton, Secretary (2 copies)